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# Disclaimer

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# Agenda

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- § Q1 results
- § Regulatory update
- § US
- § Mobile devices

# Q1 results

Continued growth, particularly from Europe

Quarter to 31 August 2010

- § Group revenue £79m, up 16%
- § Strongest growth from:
  - § Germany up 74%
  - § Singapore up 54%
  - § France up 49%
- § Underlying markets very dull



# Regulatory update

The regulatory landscape is becoming clearer

## Europe

- § Draft directive on reform of OTC derivatives published on 15<sup>th</sup> September 2010
  - § Contracts with individuals are out of scope
  - § Overall impact on IG minimal

## UK

- § Consultation on stricter client money rules closed on 6<sup>th</sup> September 2010
  - § Improves IG's competitive position

## Australia

- § Industry code of conduct under development
  - § Disclosure of client money treatment
  - § Appropriateness testing

## Japan

- § Leverage restrictions coming in progressively



# US regulation

Regulatory changes in the US should benefit Nadex, IG's CFTC regulated exchange

## Background

- § US regulation has prevented retail clients trading OTC since the 1930s
- § OTC forex was carved out of this, almost by regulatory accident
- § Existing NFA rules can be avoided - many US brokers transferred their US resident clients to UK regulated subsidiaries to avoid current rules.
- § The Dodd-Frank Act and the 2008 Farm Act gave CFTC power to make rules regulating OTC forex
- § Rules published on 31 August 2010 and come into force 18 October 2010

## The rules

- § US resident retail clients must deal with a US regulated FCM/RFED
  - § FX brokers forced to bring clients back on shore
- § Leverage restricted to 50 times, with mechanism for review and revision
- § Extensive mandatory risk warning
- § Extensive disclosure, including proportion of clients making profits



# IG's US strategy



IG is seeking to introduce a series of 'retail-friendly' exchange traded products

## IG's current US operations

- § IG Markets Inc
  - § Offers OTC forex plus DMA Nadex products
  - § Will eventually be one of a number of brokers offering access to Nadex
- § Nadex
  - § CFTC regulated exchange (DCM) and clearing house (DCO)
- § Market Risk Management Inc
  - § Market maker into Nadex
  - § Competing market makers expected as volumes grow

## Nadex product set

- § Binary options
  - § Forex
  - § Equity Indices
  - § Commodities
  - § Economic events
- § Bull spreads
  - § Forex
  - § Equity indices
  - § Commodities
- § Product development ongoing



# Distribution



Nadex will be accessed primarily via brokers

## Futures brokers

- § Typically support a number of third party trading platforms, e.g.
  - § CQG
  - § CTS
  - § eSignal
  - § Ninja trader
- § Typically use one of two back office solutions
  - § Sungard
  - § Rolfe and Nolan (ION)
- § Some brokers have their own software solutions

## Forex brokers

- § Typically have their own back office solutions
- § Typically offer a choice of own and third party trading platforms



# US revenue model



In the long term IG's US revenue should be primarily from exchange fees

## Revenue mix

- § US revenue was £500K in Q1
- § Currently the majority of IG's revenue is from OTC forex.
- § This may decline in the near term due to leverage restriction.
- § Ultimately the majority of revenue should be from exchange fees

## Nadex revenue model

- § \$1 per contract for market makers and direct clients
- § \$0.35 to brokers
- § A client might typically trade 15 – 20 contracts per day



# iPhone

Initial take up of IG's iPhone App has been encouraging

- § 15,000 initial downloads
- § 9,000 update downloads
- § 7% of account applications
- § Number of iPhone deals has roughly tripled
- § Number of logins has roughly doubled
- § Currently only available for UK spread betting
- § English CFD version later this calendar year
- § Multi-lingual version early in 2011

Number of deals per day



